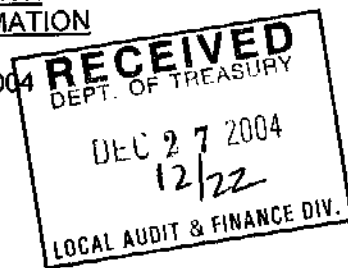


TOWNSHIP OF SHARON
Washtenaw County, Michigan
81-1150
FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sharon	County Washtenaw
Audit Date June 30, 2004	Opinion Date October 8, 2004	Date Accountant Report Submitted to State: October 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

RECEIVED
DEPT. OF TREASURY

DEC 27 2004

LOCAL AUDIT & FINANCE DIV.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

October 8, 2004

To the Township Board
Township of Sharon
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sharon, Washtenaw County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sharon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sharon, Washtenaw County, Michigan as of June 30, 2004, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SHARON
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

The Management's Discussion and Analysis report of the Township of Sharon covers the Township's financial performance during the year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

The Sharon Township financial statements demonstrate a continuing stable operation over the last year. While the economy remained somewhat weak the Township was able to adjust to the ongoing challenges. Highlights of the major categories are:

Assets – The acquisition of assets represented only minor changes while the Township has removed a number of items from previous reports as they were deemed obsolete or no longer usable. Because of the lack of entity assets other than the Township hall, these changes do not indicate either improvement or deterioration in financial health. The Township does not have any infrastructure assets.

Revenue – Revenue decreased by \$141.36 in a year that many governments were experiencing significant revenue reductions.

Expenses – Expenses were reduced by 1.5% or \$3,356.05 in a year that saw several large cost increases for Township services.

Budget – The budget for year ending June 2003 was \$227,000.00 for both revenues and expenses. Revenues of \$240,552.00 exceeded budget by \$13,552.00 and expenses of \$216,753.00 were \$10,247.00 below budget.

Tax Base – The assessed value of the Township increased \$13,721,031.00 or 13% from \$104,442,451.00 to \$118,163,482.00. The taxable value increased \$3,610,757.00 or 5% from \$72,150,032.00 to \$75,760,789.00.

Debt – The Township continued to remain debt free throughout the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

FUND FINANCIAL STATEMENTS

Fund statements provide detailed information about the Township funds as a whole. Funds are used to account for specific activities or funding sources. Funds are established to account for funding and spending of the remaining accounts fall into three categories:

Governmental Funds: This General Fund Account is the account that receives the revenues from the normal business of the Township as well as Township tax receipts. Most of the Township's activities are included in this fund. The fund is based on modified accrual accounting method. All expenses are paid from this fund. There were no significant changes in the General Fund.

Fiduciary Funds: The Township maintains a Tax Fund Account that is for the deposit and safe keeping of tax funds until they are distributed to the appropriate entities. The Township deposits only tax receipts to this account and distributes these funds on a timely basis to the appropriate parties. Through this process funds are kept separate and fully accounted prior to settling with Washtenaw County at the end of the tax collection period. There were no significant changes in this fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township's financial position remained very stable. Revenues were down slightly but expenses were reduced at the beginning of the year to recognize the lack of stability in the economy.

- 1) Statutory Revenue Sharing was eliminated to the Township from the State of Michigan reducing the largest source of income.
- 2) Performance to budget was favorable both to revenue forecasts and expense forecasts. The Township ended the year with a surplus of \$23,798.72 to add to the fund balance.
- 3) The Township ended the year with a fund balance of \$371,969.40.
- 4) The Township has continued to work on its fee schedule to ensure that fees reflect the costs associated with projects within the Township. This concentrated effort has assisted in keeping revenues in line with expenses.
- 5) The main capital asset continues to be the Township hall built in 1917. The Township capital assets other than the Township hall are mainly computers and voting machines.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Several major expenses dominate the General Fund. These five major expenses together make up 89.2% of the \$216,753.40 in expenditures from the General Fund. They are:

- 1) Township officials salaries and associated payroll tax of \$68,528.21 or 31.6%
- 2) Contracted Fire Protection from Manchester Township of \$48,428.58 or 22.3%
- 3) Contracted Dust Control for roads from Washtenaw County Road Commission of \$38,924.50 or 18%
- 4) Contracted Professional Services (Attorney, Assessor, Planner) of \$26,525.95 or 12.2%
- 5) Township Insurance of \$10,981.00 or 5%

TOWNSHIP OF SHARON
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital assets play a very minor role in Sharon Township. The Township does not have any infrastructure, police, fire, or public service organizations. The 1917 Township hall remains unchanged. The Township did replace a computer for the Clerks office during the year thereby increasing capital assets by \$767.58. The Township currently owns three computers and the voting system as its assets other than the Township hall.

The Township currently has no debt outstanding on any item and does not envision taking on any debt in the 2004-2005 fiscal year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township faces growth that may come quickly. With this growth will need to come major changes in the Township. Currently the Township has no infrastructure or services to support additional population. The Township does not maintain office hours and business is still mainly conducted out of the individual officials' homes. Police service is provided by the State Police and fire protection by a neighboring fire department.

The Township is moving forward with a new Zoning Ordinance to replace the current one adopted in 1974. The new ordinance will provide some needed updates for the zoning uses of the Township.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide a general overview of the Townships finances and demonstrate the Townships accountability for the revenue it receives. Any questions concerning this report please contact the Township Clerk at 734-428-7002 or the Township Supervisor at 734-428-0409 during the hours of 8:30am to 5pm.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	19 975 68
Investments	337 888 74
Due from State of Michigan	<u>19 105 00</u>
Total Current Assets	<u>376 969 40</u>
NONCURRENT ASSETS:	
Capital Assets	40 871 47
Less: Accumulated Depreciation	<u>(37 859 47)</u>
Total Noncurrent Assets	<u>3 012 00</u>
TOTAL ASSETS	<u>379 981 40</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>5 000 00</u>
Total Current Liabilities	<u>5 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	3 012 00
Unrestricted	<u>371 969 40</u>
Total Net Assets	<u>374 981 40</u>
TOTAL LIABILITIES AND NET ASSETS	<u>379 981 40</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 090 00	-	(3 090 00)
General government	88 269 67	19 906 21	(68 363 46)
Public safety	68 338 69	22 822 50	(45 516 19)
Public works	41 545 91	-	(41 545 91)
Other	16 244 21	-	(16 244 21)
Total Governmental Activities	<u>217 488 48</u>	<u>42 728 71</u>	<u>(174 759 77)</u>
General Revenues:			
Property taxes			64 523 89
State revenue sharing			119 081 82
Interest			2 094 77
Miscellaneous			<u>12 122 93</u>
Total General Revenues			<u>197 823 41</u>
Change in net assets			23 063 64
Net assets, beginning of year			<u>356 917 76</u>
Net Assets, End of Year			<u>379 981 40</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2004

	<u>Total</u>
<u>Assets</u>	
Cash in bank	19 975 66
Investments	337 888 74
Due from State of Michigan	<u>19 105 00</u>
Total Assets	<u>376 969 40</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>5 000 00</u>
Total liabilities	<u>5 000 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>371 969 40</u>
Total fund equity	<u>371 969 40</u>
Total Liabilities and Fund Equity	<u>376 969 40</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 371 969 40

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	40 871 47
Accumulated depreciation	<u>(37 859 47)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 374 981 40

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2004

	<u>Total</u>
Revenues:	
Property taxes	64 523 89
Licenses and permits	11 450 27
State revenue sharing	119 081 82
Charges for services:	
Property tax administration	19 906 21
Fire runs	11 372 23
Interest	2 094 77
Miscellaneous	<u>12 122 93</u>
Total revenues	<u>240 552 12</u>
Expenditures:	
Legislative:	
Township Board	3 080 00
General government:	
Supervisor	20 000 00
Assessor	7 900 00
Legal	10 121 52
Clerk	15 230 00
Board of Review	900 00
Treasurer	17 730 00
Building and grounds	2 529 22
Cemetery	1 440 00
Unallocated	10 916 27
Public safety:	
Fire protection	48 428 58
Protective inspection	6 900 00
Planning Commission	12 270 11
Appeals Board	740 00
Public works:	
Highways and streets	38 924 50
Drains	2 621 41
Other:	
Insurance	10 981 00
Social security	5 263 21
Capital outlay	<u>767 58</u>
Total expenditures	<u>216 753 40</u>
Excess of revenues over expenditures	23 798 72
Fund balance, July 1	<u>348 170 68</u>
Fund Balance, June 30	<u><u>371 969 40</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 23 798 72

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(1 502 66)
Capital Outlay	<u>767 58</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 23 063 64

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sharon, Washtenaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sharon. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .8997 mills, and the taxable value was \$72,150,032.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Furniture and equipment	3-7 years

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$3,012.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>19,975.66</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	21,003.88
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>21,003.88</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 3 – Deposits and Investments (continued)

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				337 888 74
Total Investments				337 888 74

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/04</u>
Land	2 500 00	-	-	2 500 00
Buildings	25 000 00	-	-	25 000 00
Furniture and equipment	16 299 89	767 58	3 696 00	13 371 47
Total	43 799 89	767 58	3 696 00	40 871 47
Accumulated Depreciation	(36 356 81)	(1 502 66)	-	(37 859 47)
Net Capital Assets	7 443 08	(735 08)	3 696 00	3 012 00

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	100 62	Current Tax Collection	100 62

Note 6 – Pension Plan

The Township does not have a pension plan.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Sharon does not issue building permits. Building permits are issued by the Chelsea Area Construction Agency, a local governmental unit.

TOWNSHIP OF SHARON
Washtenaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	64 000 00	64 000 00	64 523 89	523 89
Licenses and permits	7 300 00	7 300 00	11 450 27	4 150 27
State revenue sharing	117 450 00	117 450 00	119 081 82	1 631 82
Charges for services:				
Property tax administration	18 000 00	18 000 00	19 906 21	1 906 21
Fire runs	14 000 00	14 000 00	11 372 23	(2 627 77)
Interest	3 750 00	3 750 00	2 094 77	(1 655 23)
Miscellaneous	2 500 00	2 500 00	12 122 93	9 622 93
Total revenues	<u>227 000 00</u>	<u>227 000 00</u>	<u>240 552 12</u>	<u>13 552 12</u>
Expenditures:				
Legislative:				
Township Board	3 090 00	3 090 00	3 090 00	-
General government:				
Supervisor	20 000 00	20 000 00	20 000 00	-
Assessor	9 600 00	9 600 00	7 900 00	(1 700 00)
Legal	10 200 00	10 200 00	10 121 52	(78 48)
Clerk	15 230 00	15 230 00	15 230 00	-
Board of Review	900 00	900 00	900 00	-
Treasurer	17 730 00	17 730 00	17 730 00	-
Building and grounds	3 950 00	3 950 00	2 529 22	(1 420 78)
Cemetery	4 000 00	4 000 00	1 440 00	(2 560 00)
Unallocated	11 050 00	11 050 00	10 916 27	(133 73)
Public safety:				
Fire protection	48 500 00	48 500 00	48 428 58	(71 42)
Protective inspection	6 900 00	6 900 00	6 900 00	-
Planning Commission	14 000 00	14 000 00	12 270 11	(1 729 89)
Appeals Board	750 00	750 00	740 00	(10 00)
Public works:				
Highways and streets	40 000 00	40 000 00	38 924 50	(1 075 50)
Drains	2 700 00	2 700 00	2 621 41	(78 59)
Other:				
Insurance	11 000 00	11 000 00	10 981 00	(19 00)
Social security	5 800 00	5 800 00	5 263 21	(536 79)
Capital outlay	1 600 00	1 600 00	767 58	(832 42)
Total expenditures	<u>227 000 00</u>	<u>227 000 00</u>	<u>216 753 40</u>	<u>(10 246 60)</u>
Excess of revenues over expenditures	-	-	23 798 72	23 798 72
Fund balance, July 1	-	-	348 170 68	348 170 68
Fund Balance, June 30	-	-	371 969 40	371 969 40

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Township Board:	
Wages	3 090 00
Supervisor:	
Salary	20 000 00
Assessor:	
Contracted services	7 900 00
Legal	10 121 52
Clerk:	
Salary	15 000 00
Salary – deputy	230 00
	15 230 00
Board of Review	900 00
Treasurer:	
Salary	17 500 00
Salary – deputy	230 00
	17 730 00
Building and grounds:	
Utilities	2 065 72
Miscellaneous	463 50
	2 529 22
Cemetery:	
Repairs and maintenance	1 440 00
Unallocated:	
Supplies	1 909 27
Telephone	945 77
Transportation	331 18
Printing and publishing	1 908 66
Dues and conferences	2 355 54
Postage	2 046 63
Miscellaneous	1 419 22
	10 916 27
Fire protection:	
Contracted services	48 428 58
Protective inspection:	
Salary	6 900 00
Planning commission:	
Wages	3 770 00
Supplies	157 03
Planner	7 943 08
Miscellaneous	400 00
	12 270 11
Appeals Board:	
Wages	740 00

TOWNSHIP OF SHARON
Washtenaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended June 30, 2004

Highways and streets:	
Repairs and maintenance	<u>38 924 50</u>
Drains	<u>2 621 41</u>
Insurance	<u>10 981 00</u>
Social security	<u>5 263 21</u>
Capital outlay	<u>767 58</u>
Total Expenditures	<u>216 753 40</u>

TOWNSHIP OF SHARON
Washtenaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2004

	<u>Balance</u> <u>7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/04</u>
<u>Assets</u>				
Cash and Investments	<u>873 50</u>	<u>1 907 426 17</u>	<u>1 908 199 05</u>	<u>100 62</u>
<u>Liabilities</u>				
Due to other funds	873 50	81 580 34	82 353 22	100 62
Due to others	<u>-</u>	<u>1 825 845 83</u>	<u>1 825 845 83</u>	<u>-</u>
Total Liabilities	<u>873 50</u>	<u>1 907 426 17</u>	<u>1 908 199 05</u>	<u>100 62</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

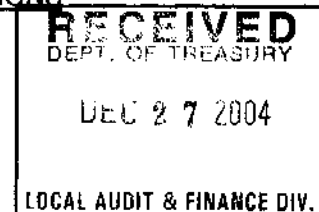
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 8, 2004

To the Township Board
Township of Sharon
Washtenaw County, Michigan



We have audited the financial statements of the Township of Sharon for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sharon in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sharon
Washtenaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Township of Sharon began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2004.

To the Township Board
Township of Sharon
Washtenaw County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants